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Mexico

Solid Wood Products

Solid Wood Products Annual Report

(Part 1: Production and Trade Sections)

2004

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Report Highlights: As a result of the economic rebound, Mexican consumption of forest products is expected to outpace production in MY 2005, thereby increasing export opportunities for U.S. wood and wood products. The competition within the Mexican import market for forest products, however, has increased, as it is a price-driven market and thus very sensitive to less expensive South American and Canadian wood products. Mexico's forest sector and wood processing sub sectors continue to be stagnant due to many structural problems.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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ECONOMIC OUTLOOK

Mexico, Latin America's largest economy, is rebounding from its three slowest years of growth since the peso devaluation in December 1994. Economic growth in the United States, on which Mexican economic growth is highly dependent, accounts for most of the growth. The United States accounts for 86 percent of Mexico's agricultural exports. The Mexican economy grew in the second quarter of 2004 at its fastest pace since 2000, due to U.S. demand for Mexican electronics, oil and metals. Gross domestic product (GDP) grew 3.9 percent in the second quarter of 2004, compared to the same period last year, after expanding 3.7 percent in the first quarter. Similarly, the agriculture sector's GDP grew 5.1 percent during the second quarter of 2004, compared to the same period a year earlier, up from 4.6 percent in the first quarter of 2004. According to official data, Mexico's economy expanded 1.2 percent from the first quarter in seasonally adjusted terms.

Private analysts stated that, given that the U.S. economy has grown for 11 quarters consecutively, Mexico's GDP should be expanding even faster. They point out that even Mexico's Central bank's optimistic forecast of 4.25 percent economic growth rate for 2004 would be more than 1 percentage point below Mexico's average growth rate of 5.4 percent between 1996 and 2000, a period prior to China's accession to the WTO in which in-bond import-export factories ("maquiladoras") along the U.S. and Mexican border flourished. Private projections for 2004 are for annual growth to be between 3.5 and 4 percent, better than 2003's annual growth rate of 1.3 percent, but still lower than the boom years of 1996-2000. The annual inflation rate is forecast at 4.4 percent, which is slightly higher than the previous year (3.98 percent).

FOREST SITUATION

Forest information continues be based on the Periodical National Forest Inventory of 1994, as the Secretariat for the Environment and Natural Resources (SEMARNAT) did not publish the National Inventory of 2000-2001. According to SEMARNAT officials, this inventory was not published due to the use of inappropriate methodology in accurately estimating the forest situation. Currently, however, the National Forest Commission (CONAFOR), is managing the national forest inventory (see MX1055). CONAFOR officials stated that a preliminary report on this Inventory may be issued in 2005. However, the final version would not be available until 2006.

Based on this Forest Inventory of 1994, Mexico's total forest resource base is estimated at 56.6 million hectares, and its breakdown by forest type and hectarage is as follow:

Mexico's Major Forest Types	Forest Sub-Types	Million Hectares	Percentage of Total Area
Temperate-Cold Climate	Softwoods	20.8	68%
	Hardwoods	9.6	32%
	Subtotal	**30.4**	**100%**
Tropical-Subtropical	Highland mid-forest	5.8	22%
	Low tropical forest	10.9	41%
	Other	9.5	37%
	Subtotal	**26.2**	**100%**

Mexico's forests are characterized by their fragmentation and a very strong human presence. According to official data, twelve million farmers and indigenous people, whose livelihoods depend on the harvesting of timber and other forest products, live in Mexico's forest areas. As a consequence of this large and growing population, natural resources and the environment have been damaged. One of the most important adverse impacts has been the constant degradation of forest ecosystems and deforestation. Approximately 600,000 hectares – or one percent -- of forest are still lost annually because of deforestation. While this figure is not as great as in other countries (i.e., 2 percent of total forest area in Indonesia and Malaysia), it reflects a certain institutional inability to conserve the country 's forests and natural resources.

The consequences of deforestation include a general degradation of the ecosystem, and, specifically, erosion, sedimentation of lakes, reduction in the recharging of watersheds in different parts of the country, flooding, negative impacts on biodiversity, and reduction of the productive potential due to the loss of soil fertility. According to a recent CONAFOR study, for example, approximately 64 percent of the forest soils require some kind of recovery or restorative actions. In addition, it is estimated that there are 16 million hectares of forestland that can be reforested. Official sources have recognized the urgency to implement different types of reforestation actions.

The National Forest Inventory states that of the country's total forest area only 21.6 million ha have commercial potential. Of this area, only 8.6 million ha are currently managed for commercial purposes. The annual forestry growth rate is estimated at 30 million m^3 in contrast to Mexico's forest productive potential, which is estimated at 178 million m^3.

Difficult terrain and insufficient access to rivers make transportation of timber and other materials challenging and costly, especially in the mountain ranges that dominate Mexico's topography. Because of the vast area these mountain ranges encompass, this has serious implications for forestry and forest-related activities.

The forest sector's main problems can be generalized as follows:

- Eighty percent of Mexican forests are collectively owned by farmers and indigenous communities ("ejidos"). This contrasts with the situation in most developing countries, where an estimated 71 percent of the forests are government owned. Mexico's land ownership system is relatively unique and said to exist only in a few other countries, such as Guatemala, Nicaragua and Bolivia.

- The lack of recognition of community property and the disorganized and ineffective communal property ("*ejido")* distribution have resulted in land conflicts in most of the territory due to undefined borders, demarcations and pending resolutions in agricultural courts. It has led to short-term production decisions and an unfavorable investment climate.

- Localized over-exploitation of resources. SEMARNAT states that the degraded forest surface is estimated at 25.4 million hectares, as a result of deforestation.

- Negative trade balance in forest products. Mexico is a net importer of forest products, including pulp and paper as well as solid wood products, which have been increasing in the last few years. Some domestic companies that used to purchase timber from "ejidos," currently are getting better prices buying timber from Chilean plantations. A company in Durango, for example, currently imports approximately 75 percent of its raw material at a price 25 percent lower than local timber.

- Non-competitiveness of the forest sector in the international market. The communities and "ejidos" are mainly producers of forest raw materials, round wood, and some sawed wood. However, most of them are not able to enter large markets because of lack of technology, insufficient government support, lack of infrastructure, and ill-defined property rights, which limit investment, and lack of vertical integration.

- Environmental degradation, which is closely linked to poverty-induced behavior

- Inadequate institutional and legal frameworks to promote sustainable production. This results in high transaction costs and lack of consistency in regulations.

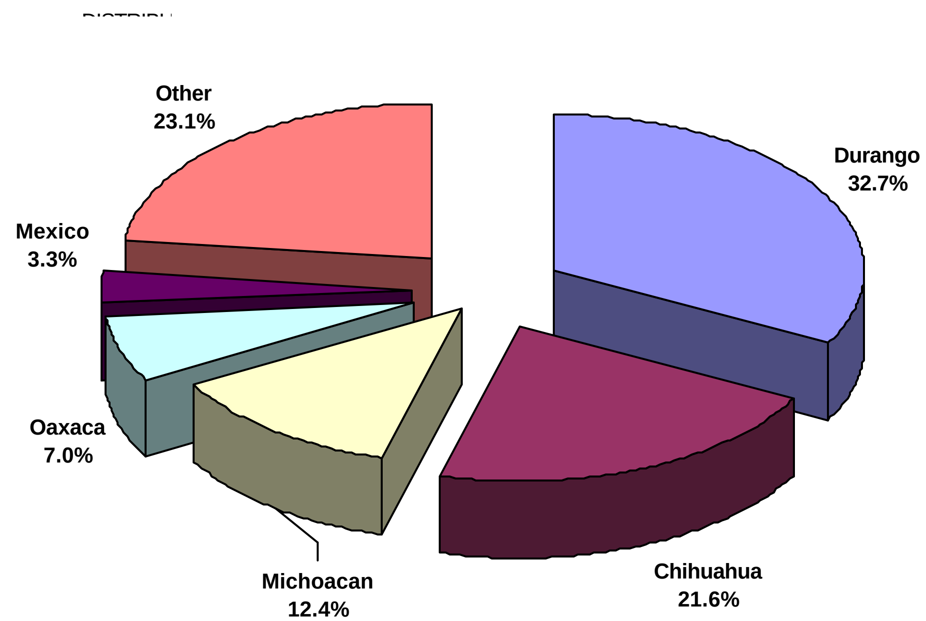
- The break up of information systems, low reliability, lack of coordination and information and communication among the forest sector's key players

Despite some isolated efforts, in general, Mexico is not using its forest resources in a sustainable manner; nor does the current system allow for a significant increase in production. The sector continues to be affected by insufficient resources for harvesting, inadequate basic infrastructure for distribution of raw materials, and low productivity per hectare. Moreover, extraction and transportation costs continue to be extremely high, since the industry is located far away from harvested areas and because of poor road infrastructure.

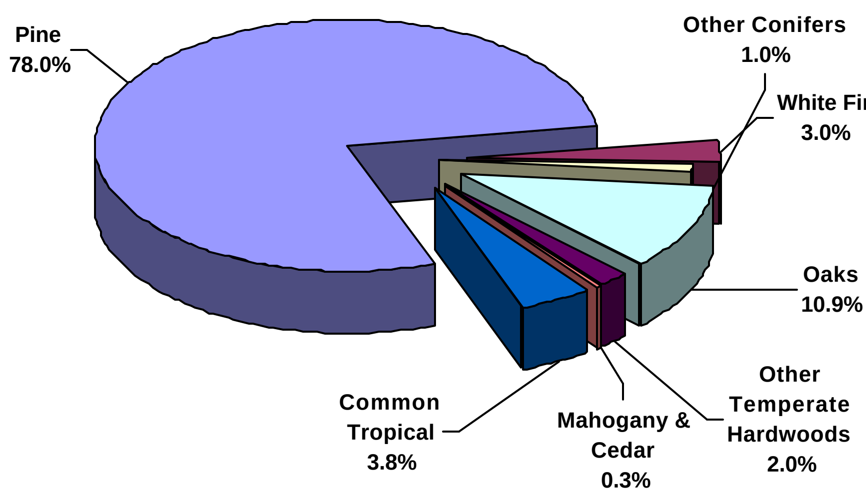
It should be noted, however, that in the last - few years, forest communities and "*ejidos*" have shown interest in certification of responsible forestry management for their forestry operations. According to CONAFOR, this interest is reflected in over 500,000 ha of communal forests that have already been certified and some additional 100,000 ha that are in the process of certification. Currently, there are approximately 90 "*ejidos*" that are somehow linked to the evaluation/certification process.

Although Mexico has the world's 11th largest total forest area, the contribution of the forestry sector to Mexico's GDP is small. During the last two years, for example, the forestry sector's contribution to the national GDP was between 1.0 and 1.83 percent, a percentage so small that it limits the Mexican government's support to the forestry sector.

According to SEMARNAT, the country's main wood species in terms of surface area and economic importance are the *pinus* and *quercus* varieties, which account for approximately 80 percent and 5 percent respectively of Mexico's total national timber production. Following is a breakdown of 2003 forest production (6.66 million m^3) by major producing States and species:



MAIN SPECIES & SHARE OF FOREST PRODUCTION
2003

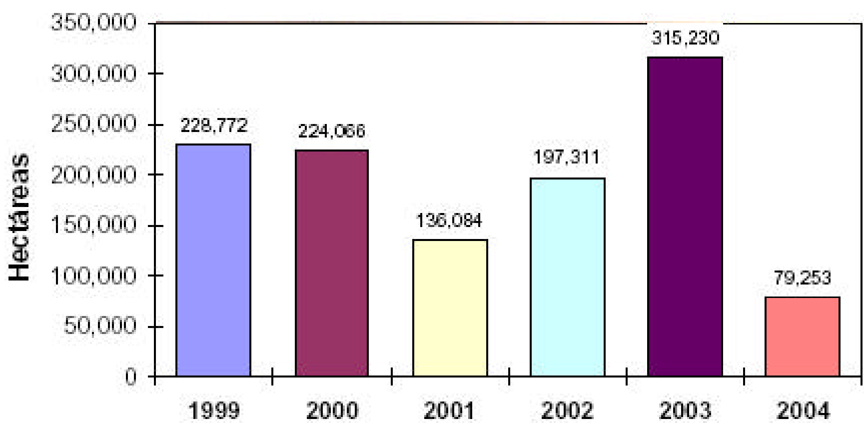


Due to several reasons, illegal cutting continues to be a common practice in Mexico's rural forest sector, due to such factors as a tenuous land ownership system, inability to perform inspection and surveillance activities of illegal cutting, lack of employment opportunities in some regions of the country, the industrial sector's willingness to buy illegal wood, and corruption. Illegal cutting has been estimated at 13 million m^3 per year, double the legal cutting rate.

Almost all Mexico's forest timber production comes from native forests, as the majority of commercial forestry plantings are of recent creation and the majority has not yet entered into production. According to CONAFOR, only 250,000 m^3 are to be harvested from commercial planting areas in 2004, but it is estimated that the majority of plantings would be ready for production in approximately 10 years. The average productivity in temperate forests continues to be only 1.2 m^3 per hectare per year, and in tropical forests it is 0.5 m^3 per hectare per year, due to poor forest management. Based on SEMARNAT's data, the total standing inventory of commercial forest is 2.803 billion m^3, of which 1.8 billion is in temperate forest and 1.0 billion is in tropical forests.

Although highly variable, during 1999-2003, the annual average area affected by forest fires was 220,292 ha. During the first seven months of 2004, the number of forest fires was 75 percent lower than the annual average. Official sources pointed out that, in 2004, good weather conditions contributed to a significant reduction in the number of forest fires. These sources also estimated that the final number of forest fires for 2004 would not change substantially, as the 2004 rainy season was fairly normal. Available CONAFOR data on area affected by forest fires is as follows:

AREA AFFECTED BY FOREST FIRES



Source: CONAFOR

The breakdown of fires by type of area affected for the first seven months of 2004 is the following: grazing land (68,755 ha) and forest area (10,498 ha). Mexican states most affected by fire in 2004 were: the states of Chiapas, Guerrero, Michoacan, Jalisco and Baja California.

According to CONAFOR officials, CONAFOR will start a monitoring program to measure gases generated by forest fires in North America. The project will be developed along with the Canadian Forest Service and USDA's Forest Service and will be funded by NASA's North American Carbon Program. The project's name will be: "Daily, Weekly, Seasonal and Inter-annual Variability of CO2, CO and CH4 Emissions from Biomass Burning in North America and Their Impact on Atmospheric Chemical Composition." The budget allocated for this project is estimated at U.S. $ 500,000 over three years.

STRATEGIC INDICATOR: FOREST AREA

STRATEGIC INDICATOR TABLE: FOREST AREA			
(MILLION HECTARES/MILLION M^3)			
COUNTRY: MEXICO	PREVIOUS	CURRENT	FOLLOWING
REPORT YEAR: 2004	CALENDAR YEAR (2003)	CALENDAR YEAR (2004)	CALENDAR YEAR (2005)
TOTAL LAND AREA	196.70	196.70	196.70
TOTAL FOREST AREA	141.17	141.17	141.17
--OF WHICH, COMMERCIAL	21.60	21.60	21.60
----OF COMMERCIAL, TROPICAL HARDWOOD	NA	NA	NA
----OF COMMERCIAL, TEMPERATE HARDWOOD	NA	NA	NA
----OF COMMERCIAL, SOFTWOOD	NA	NA	NA
--OF FOREST AREA, NONCOMMERCIAL	9.70	9.70	9.70
FOREST TYPE	30.2 1/	30.2 1/	30.4 1/
--OF WHICH, VIRGIN	NA	NA	NA
--OF WHICH, PLANTATION	0.68	0.68	NA
--OF WHICH, OTHER COMMERCIAL (RE-GROWTH)	NA	NA	NA
FOREST OWNERSHIP			
--NATIONALLY OWNED AND NO COMMERCIAL ACCESS	9.00	9.00	NA
--NATIONALLY OWNED, COMMERCIAL LOGGING PERMITTED	7.00	7.00	7.00
--OTHER PUBLICLY OWNED LAND, NO COMMERCIAL ACCESS	NA	NA	NA
--OTHER PUBLICLY OWNED, LOGGING PERMITTED	113.4 4/	113.4 4/	113.4 4/
--PRIVATELY OWNED COMMERCIAL FOREST	NA 2/	NA 2/	NA 2/
TOTAL VOLUME OF STANDING TIMBER	2,803.49	2,803.49	2,803.49
--OF WHICH, COMMERCIAL TIMBER	NA	NA	NA
ANNUAL TIMBER REMOVAL	7.5 3/	7.5 3/	7.5 3/
ANNUAL TIMBER GROWTH RATE	35.10	35.10	35.10
ANNUAL ALLOWABLE CUT	8.20	8.30E/	NA

1/ CORRESPONDS TO TEMPERATE-COLD CLIMATE FOREST, OF WHICH 68 PERCENT ARE SOFTWOODS AND 32 PERCENT ARE HARDWOODS
2/ 21.2 MILLION HECTARES ARE PRIVATELY OWNED BUT THERE IS NO SPECIFIED COMMERCIAL AREA
3/ ANNUAL AVERAGE
4/ CORRESPONDS TO COMMUNAL PROPERTY ("EJIDOS") BUT THERE IS NOT SPECIFIED COMMERCIAL AREA
SOURCE: THE SECRETARIAT FOR THE ENVIRONMENT AND NATURAL RESOURCES (SEMARNAT) BASED ON THE NATIONAL FOREST INVENTORY, 1994.
E/ ESTIMATED

PROGRAMS

CONAFOR continues to coordinate the main government forestry programs such as the National Reforestation Program (PRONARE), the National Forest Development Program (PRODEFOR), the National Program for the Promotion of Forest Plantations (PRODEPLAN) and the Conservation and Sustainable Forest Management Project (PROCYMAF) as well as activities to fight forest fires. Following is a breakdown of the 2003 budget allocations for these programs. It should be noted that PRODEPLAN and PRODEFOR include contributions from Mexican state governments as well as from the private sector:

FOREST PROGRAMS, BUDGET ALLOCATED IN 2003 (Million pesos)				
PROGRAM	CONAFOR	STATE GOVERNMENTS	PRIVATE SOURCES	TOTAL
PRODEPLAN	452	49	199	700
PRODEFOR	203	114	60	377
PRONARE	325	202	-	527
Forest Fires	242	173	-	415
PROCYMAF	25	1	-	26
TOTAL	1,247	539	259	2,045

Source: National Forest Commission (CONAFOR)
Exchange Rate: U.S. $ 1.00= 11.40 pesos

During 2003, PRODEFOR financed 6,933 projects, which benefited 2.2 million ha. of forest land. PRODEFOR is oriented toward the development of common lands and their communities (ejidos) through sustainable forest management. Among the projects funded there are different activities such as technical studies, forest management programs, promotion of handling practices (such as pre-clearing and pruning) to increase productivity, construction of forest roads, and activities to combat forest fires. CONAFOR officials stated that in 2004 PRODEFOR would be focusing on promoting responsible forest management. Preliminary information reveals that during the first seven months of 2004, PRODEFOR had allocated 64.8 million pesos (approximately U.S. $ 5.7 million) to support 786 projects in the states of Campeche, Jalisco, Michoacan, State of Mexico, Sonora, Tlaxcala and the Yucatan.

PROCYMAF's main objective is to provide training activities and to promote sustainable management of forest resources in the states of Oaxaca, Guerrero, Michoacan, Jalisco and Durango through support from the World Bank. According to CONAFOR, in 2003, PROCYMAF financed 492 sustainable forest management projects, which benefited 248,522 ha in 251 communities -- a 214-percent increase in terms of area and a 44-percent increase in the number of communities from 2002. Approximately 19.2 million pesos (roughly U.S. $1.7 million) were allocated to this program in 2003. The second phase of this program started in 2004 and it now includes the state of Quintana Roo. The 2004 budget is estimated to increase to 79.0 million pesos, an increase of 311 percent from the year before. According to CONAFOR officials, the World Bank intends to allocate approximately U.S.$ 21.0 million during the period 2004-2007 in support of this program.

PRONARE continues to be the main reforestation program, and has been operating since 1995. The main objective of this program is to reforest degraded areas with native species that possess the desirable genetic characteristics necessary to reforest overexploited areas.

One fundamental element of PRONARE is the restoration, recovery and enrichment of those lands that have been degraded as a result of tree clearing, changes in land use, pests, and fires. Official sources stated that 176,000 ha were reforested in 2003, 4 percent higher than the original goal for 2003. Under this same program, 445 greenhouses managed by CONAFOR produced approximately 245 million plants to be used in reforestation efforts in 2003.

During 2003, the Forestry Plantations Support Program" (PRODEPLAN) allocated 451 million pesos (US$39.6 million) via 519 projects in order to support 68,461 ha of commercial forestry plantations. Although the reason is unclear, it appears that, because of SEMARNAT's budget limitations, only 25,000 ha are to be supported by PRODEPLAN for 2004.

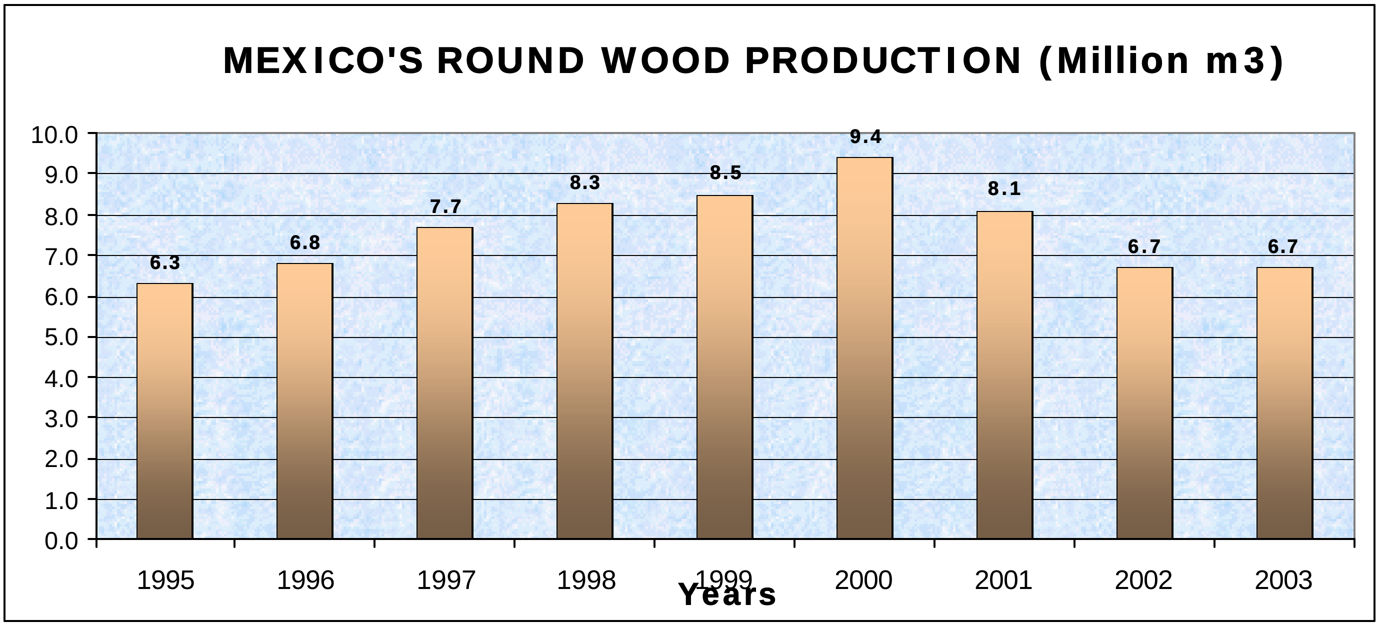
PHYTOSANITARY ISSUES

In general, U.S. wood product exports are not facing major trade barriers in Mexico (see MX4301). On March 19, 2004, the SEMARNAT published in the "Diario Oficial" (Mexico's Federal Register) the cancellation of PROY-NOM-EM-014-RECNAT-2001, which was a proposed standard establishing the sanitary regulations for the importation of pallets, pallet-crates, other cargo platforms, and various new and used wooden containers. Its cancellation left in effect NOM-EM-144-SEMARNAT-2003 - an emergency regulation outlining the guidelines that will affect solid wood products used as packaging material in international trade (see MX4043). Later, on May 25, 2003 SEMARNAT announced an extension of six months to this emergency standard NOM-144, starting on May 27, 2004 (See MX4068). It should be noted that despite its emergency nature, NOM-144 has not adversely impacted U.S. trade in wood packing materials.

On September 24, 2004, (SEMARNAT) published in Mexico's "Federal Register" the proposed standard for wood packaging materials (PROY-NOM-144-SEMARNAT-2004). This proposal has a comment period of 60 days for interested parties. SEMARNAT officials expect that at end of 2004 or beginning of 2005, Mexico would have a final official standard (NOM) to regulate Mexican solid wood products used as packaging material. This action is in response to an agreement between the U.S., Canadian, and Mexican heads of the North American Plant Protection Organization (NAPPO) on the International Standard for Phytosanitary Measures (ISPM) No. 15 of the International Plant Protection Convention (IPPC) entitled, "Guidelines for Regulating Wood Packaging Material in International Trade" (See MX4502). SEMARNAT officials stated that strict enforcement of this new NOM is expected by mid-year 2005.

SOLID WOOD PRODUCTS OVERVIEW

The forest products sector continues to be stagnant due to, among other factors, diminishing natural resources, poor infrastructure, inefficient technology, lack of credit, and insufficient government support. Roundwood production, for example, remained unchanged at 6.7 million m^3 in 2003 – a production level that is expected to remain constant in 2004 and 2005. This is in sharp contrast to the production level that Mexico registered between 1997 and 2001, when production levels were higher (see following chart).



Source: SEMARNAT

INDUSTRY STRUCTURE AND CONSTRAINTS

According to SEMARNAT's and CONAFOR's strategic plan, the forest industry's problems can be summarized as follows:

- Lack of information on specific properties of forest species and on market demand for the most appropriate end uses for those forest species; this has led to inefficient use of forest species.
- Fragmented forests and lack of large-scale supply areas.
- Small fragmented forest areas and distant location from mills, low mechanization level in forestry operations, and inadequate road infrastructure. All these factors have contributed to high extraction and transportation costs.
- Limited vertical and horizontal integration of the industry, which results in inefficiencies
- High financing costs, which have limited investments in modern technology

As a result of all these problems there is a lack of competitiveness of the forest industry and consequently the substitution of domestic wood products by imported ones.

INTERNATIONAL TRADING ENVIRONMENT

Over the long term, Mexico will remain a substantial importer of forest products, mainly from the United States. However, competition from several other countries exists in the Mexican market. Strong pricing schemes, along with participation in major trade shows targeting the furniture and construction industries, have been the main strategies that exporters from Chile, Brazil and Canada have followed in order to gain market share. Industry sources pointed out, for example, that while U.S. exports of hardwood lumber increased 9 percent to U.S.$ 70 million in 2003, market share of South American suppliers has been steadily increasing, with imports of tropical lumber up 7.64 percent to U.S. $14 million in 2003 from approximately U.S. $5 million in 2002. Imports of Chilean Radiata pine lumber also have continued to increase, due to demand by the furniture industry, although, recently, according to some industry sources, this demand is now decreasing, due to the tendency of the radiata pine to split and twist. Imports in 2005 are forecast to increase slightly compared to 2004, due to strengthening of the Mexican economy.

MARKET DEVELOPMENT STRATEGIES

Forest products continue to be used mainly by the furniture industry in Mexico. Wood products are not generally used in the construction of homes, except in the formation of concrete, and finish work, such as molding and parquet flooring. There is a cultural bias in favor of this type of concrete and brick home construction, as Mexican homes are considered a piece of property to be handed down to one's children as an inseparable part of a family inheritance and these traditional materials convey a sense of durability and permanence. However, U.S. hardwoods have established a niche in the interiors market segment, particularly in roofs and sub-flooring. According to an industry source, white oak is the most popular U.S. hardwood among architects.

It should be noted that recently the cultural bias in favor of concrete and brick home construction has shown signs of a shifting towards wood, as a result of some Government of Mexico (GOM) initiatives that are attempting to address the forest management and national housing deficit issues. CONAFOR, along with the National Commission of Housing Promotion (CONAFOVI), are looking to create greater demand for wood as a raw material by promoting it as a construction material in low-cost housing projects throughout Mexico. U.S. cooperators, particularly, the American Forest & Paper Association (AF&PA), have been collaborating with both agencies to carry out these initiatives. The GOM has expressed a particular interest in using wood in cost-efficient solutions for emergency housing. Moreover, CONAFOR has confirmed that a specific line item in their 2004-2005 budget has been approved for this purpose. Industry sources stated that, despite the fact there are a number of long-term challenges in obtaining widespread acceptance of wood frame construction in Mexico, there has already been a noticeable change in consumer preference for wood. The GOM has made a serious commitment to solve the housing deficit by using large-scale low-cost wood housing for temporary or emergency housing.

In order to take advantage of this opportunity, AF&PA and softwood cooperators will continue working with Mexican governmental agencies. They recognize, however, that this will be a long-term market development effort. There are a wide-variety of activities and services that U.S. Cooperators can implement in order to help develop a general interest in U.S. hardwood and softwood products in Mexico. The following are some examples:

- Support GOM pilot housing projects
- Conduct mini road show seminars in Mexican cities which have shown interest in wood housing
- Offer wood housing workshops at key conferences and trade shows
- Sponsor U.S. training missions for Mexican builders, developers, and GOM agencies involved in wood housing
- Work with Mexican banking authorities to determine the current policy towards financing wood housing and provide information as needed
- Increase Mexican consumers' awareness of the advantages of the physical and mechanical properties of U.S. hardwood and softwood products through promotional and educational efforts. For example, in order to educate local architects, hold architectural seminars at annual or biannual association meetings.

According to industry sources, the level of furniture production has been growing steadily in the last few years, although it has been partially constrained primarily by financial problems, including liquidity, relatively poor access to the more expensive hardwoods due to lack of credit, and a relatively poor ability to retool and modernize production processes due to high capital costs. In addition, these sources stated that the competition of Chinese furniture in the Mexican market represents a serious threat to the smaller Mexican manufacturers. There are still, however, good opportunities for U.S. lumber and plywood exporters in the Mexican market, should they successfully identify and meet specific demand and material requirements and provide competitive pricing and servicing.

U.S. industry and Cooperators should continue with their promotional programs disseminating information on applications of temperate hardwood products. The challenge for U.S. exporters in Mexico, however, continues to be maintaining and /or competing with third countries for increased market share of the Mexican wood products market. Industry sources indicated that, in the last few years, tropical hardwoods, such as the Banak variety imported from South American countries, have flooded the Mexican market and have substituted for U.S. hardwood lumber and plywood. Fortunately, U.S. suppliers still have important advantages such as geographic proximity and lower freight costs, product quality, grading uniformity, species strength and perceived value. In addition, USDA's Commodity Credit Corporation also offers credit guarantees for U.S. exporters to Mexico under the GSM-102 and Supplier Credit Guarantee programs, which provide export-financing assistance to Mexico. At the same time, U.S. cooperators and private firms should continue to develop good relationships with construction, furniture, and wood distribution companies and associations as well as architectural and engineering firms, state governments, public financing, and tourist and housing agencies to maintain market share in Mexico. Joint ventures with domestic solid wood product processors should be explored as well.

SOFTWOOD LOGS PS&D

Country	Mexico					
Commodity	Softwood Logs				1000 CUBIC METERS	
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2003		01/2004		01/2005	
Production	5318	5462	5342	5550	0	5650
Imports	4	6	5	7	0	8
TOTAL SUPPLY	5322	5468	5347	5557	0	5658
Exports	1	2	1	0	0	0
Domestic Consumption	5321	5466	5346	5557	0	5658
TOTAL DISTRIBUTION	5322	5468	5347	5557	0	5658

PRODUCTION

MY 2005 softwood production is forecast to climb 5.65 million m^3, an increase of approximately 2 percent over last year’s revised estimate, due to the expectation that Mexico’s economy will continue rebounding. Production estimates for MY 2003 and 2004 have been increased, reflecting official data from both SEMARNAT and private sources.

Responding to international trends, several Durango timber companies have began to certify finished products as being the result of responsible forestry management techniques. Certain companies are obtaining certificates of “chain of custody”. a Forest Stewardship Council (FSC) acknowledgement certifying these companies as processing and marketing companies of products of responsible forestry management techniques. The FSC is an independent, non-profit, non-government organization based in Bonn, Germany, that provides standard setting, trademark assurance and accreditation services for companies and organizations interested in responsible forestry. According to industry sources, ten companies in Mexico have obtained certification and another ten applications are being processed. Although these timber producers have not yet reaped the financial rewards from such certifcation they expect to do so shortly and, to that end, are maintaining and renewing their certification. Their interest is so serious that not only are they covering their own certification costs but also that of some “ejidos” (communal lands) that supply them roundwood.

CONSUMPTION

Mexico’s ongoing economic rebound, along with more flexible official regulations authorizing easier tree removal, are the main factors behind the MY 2005 softwood production forecast of 5.6 million m3. The MY 2003 and MY 2004 consumption estimates have increased based on industry information and stronger-than-previously expected demand by the furniture, flooring and paneling sectors. Although softwoods continue to account for the majority of Mexico’s forest types, they remain relatively expensive because of high extraction costs.

TRADE

Import estimates for MY 2003 and MY 2004 have been revised upward based on official information from SE and preliminary industry information for 2004. The rise reflects continued growing demand as well as the inability of the domestic industry to meet this demand because of inefficiencies and lack of competitiveness. Imports for MY 2005 are expected to continue to increase to 8,000 m3 for this same reason. The United States continues to be practically the only supplier of softwood logs to the Mexican market.

TRADE MATRIX

SOFTWOOD LOGS	H.S. 4403.20	UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	729	U.S.	1,744
OTHER		OTHER	
		BELIZE	56
TOTAL OF OTHER	0	TOTAL OF OTHER	56
OTHERS NOT LISTED	0	OTHERS NOT LISTED	5
GRAND TOTAL	729	GRAND TOTAL	1,805

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

SOFTWOOD LOGS	H.S. 4403.20	UNITS: CUBIC METERS	
EXPORTS FOR 2003 TO:		IMPORTS FOR 2003 FROM:	
U.S.	1,596	U.S.	5,719
COSTA RICA	102	OTHER	
		CHINA	0
TOTAL OF OTHER	0	TOTAL OF OTHER	0
OTHERS NOT LISTED	0	OTHERS NOT LISTED	0
GRAND TOTAL	1,798	GRAND TOTAL	5,719

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

TEMPERATE HARDWOOD LOGS PS&D TABLE

Country	Mexico					
Commodity	Temperate Hardwood Logs			1000 CUBIC METERS		
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2003		01/2004		01/2005	
Production	787	863	788	865	0	890
Imports	8	4	10	3	0	4
TOTAL SUPPLY	795	867	798	868	0	894
Exports	0	0	0	0	0	0
Domestic Consumption	795	867	798	868	0	894
TOTAL DISTRIBUTION	795	867	798	868	0	894

PRODUCTION

MY 2005 temperate hardwood lumber production is forecast at approximately 890,000 m^3, 3 percent above MY 2004's revised estimate, due to strong domestic demand. In order to reflect official SEMARNAT data, MY 2003 production and preliminary MY 2004 information have been revised upward. The main producing states in MY 2003 were Durango, Michoacan and Sinaloa, which, together, represent approximately 74 percent of total Mexican temperate hardwood production. In MY 2003 heavy rains limited access to certain areas in Michoacan and other states (Chiapas, Guerreo and Oaxaca), which reduced supplies. According to industry sources, Michoacan hardwood round wood production has decreased approximately 27 percent in the last five years, due to conversion of forest land to other agricultural crops, such as avocados, and deforestation resulting from insect damage, diseases, and forest fires.

CONSUMPTION

MY 2005 temperate hardwood consumption is forecast to increase slightly due to expectations of greater demand, as a result of continued economic growth, from the furniture and the architectural applications sectors, the main industry consumers of hardwoods. The MY 2004 and MY 2003 consumption estimates have been revised upward, due to new industry information.

TRADE

For MY 2005, imports are forecast to increase slightly to 4,000 m^3, as demand from furniture manufacturers is expected to rise due to the anticipated economic growth. Although most of Mexico's lumber industry is increasingly recognizing the potential uses and resistant features of most of the temperate hardwood species, the Mexican market continues to be a price-driven market, As a result, several furniture plants have opted for better-priced tropical hardwood species. Import estimates for MY 2003 and MY 2004 (preliminary data for this year) have been revised downward based mostly on official SE data.

TRADE MATRIX

TEMPERATE HARDWOOD LOGS H.S. 4403.9[a]		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	80	U.S.	3,970
OTHER		OTHER	
JAPAN	136	CANADA	87
TAIWAN	145		
TOTAL OF OTHER	281	TOTAL OF OTHER	87
OTHERS NOT LISTED	149	OTHERS NOT LISTED	65
GRAND TOTAL	510	GRAND TOTAL	4,122

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

TEMPERATE HARDWOOD LOGS H.S. 4403.9[a]		UNITS: CUBIC METERS	
EXPORTS FOR 2003 TO:		IMPORTS FOR 2003 FROM:	
U.S.	66	U.S.	3,418
OTHER		OTHER	
JAPAN	17	COSTA RICA	52
TOTAL OF OTHER	17	TOTAL OF OTHER	52
OTHERS NOT LISTED	0	OTHERS NOT LISTED	45
GRAND TOTAL	83	GRAND TOTAL	3,515

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

[a] Expressed values for HS 4403.9 consolidates the following subheadings: 4403.91, 4403.92 & 4403.99

SOFTWOOD LUMBER PS&D TABLE

Country	Mexico					
Commodity	Softwood Lumber		1000 CUBIC METERS			
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2003		01/2004		01/2005	
Production	1861	1917	1870	1948	0	1983
Imports	3324	3958	3500	4140	0	4260
TOTAL SUPPLY	5185	5875	5370	6088	0	6243
Exports	8	57	10	70	0	73
Domestic Consumption	5177	5818	5360	6018	0	6170
TOTAL DISTRIBUTION	5185	5875	5370	6088	0	6243

PRODUCTION

MY 2005 softwood lumber production is forecast at 1.98 million m^3, an increase of 2 percent, due to steady demand from the construction sector. Construction activity and sales of building materials grew 3.4 percent in 2003 and is expected to grow 5.5 percent in 2004 -- increases which have positively impacted softwood lumber production. MY 2003 and 2004 production estimates have been revised upward, for this same reason. The lack of reliable market information, such as price and production information, market conditions, and demand continues to be a problem in that it affects buying decisions and results in a large number of brokers and intermediaries.

CONSUMPTION

MY 2005 consumption is forecast at 6.1 million m^3, an increase of 3.6 percent from MY 2004's revised estimate, due to growing demand from the furniture and construction industries. The MY 2003 and MY 2004 consumption estimates have been revised upwards, because of stronger-than-expected economic growth. Approximately 79 percent of softwood lumber production goes to the construction sector, for uprights and cross beams. In Mexico lumber is primarily used for packing purposes, furniture and in the formation of concrete.

Average Softwood Prices Pesos/Board Foot	
Sanwood	
Sizes	¾”
0.10x2.5 mts (4”x98”)	16
0.15 x2.5 mts (8”x98”)	16
0.30 x 2.2 mts. (12”x98”)	16

Source: Consejo de la Madera en la Construccion (COMACO)
Rate of Exchange: 11.40 Pesos to U.S. $1.00

TRADE

MY 2005 imports are forecast at 4.260 million m^3, due to the expectation of general economic growth. MY 2003 and 2004 import estimates have been revised upward based on official SE information. Although Chile continues to be the main supplier of softwood lumber, some furniture manufacturers have complained that Chilean pine, of the Radiata variety, has a tendency to twist and split and demand from some quarters for Chilean pine has decreased. Industry sources pointed out that although the Mexican market continues to be driven by price, this tendency is gradually changing in favor of such quality aspects as grading uniformity, species strength, and perceived value.

TRADE MATRIX

Note: Due to inconsistencies in the Government of Mexico's 2002 trade data, the MY 2002 PS&D trade estimates submitted in MX 3136 were based on information gathered from industry sources. These inconsistencies have not been corrected; consequently the official 2002 trade data reflected in these matrices differs significantly from the PS&D estimates in MX3136. For 2003, however, the Government of Mexico data appears to be accurate and is therefore being used as the basis for estimating PS&D trade volumes.

SOFTWOOD LUMBER H.S. 4407.1[c]		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	7,549	U.S.	445,834
OTHER		OTHER	
ARGENTINA	2,341	CHILE	7,957,283
		VENEZUELA	3,350,870
TOTAL OF OTHER	2,341	TOTAL OF OTHER	11,308,153
OTHERS NOT LISTED	484	OTHERS NOT LISTED	469,384
GRAND TOTAL	10,374	GRAND TOTAL	12,223,371

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

SOFTWOOD LUMBER H.S. 4407.1[c]		UNITS: CUBIC METERS	
EXPORTS FOR 2003 TO:		IMPORTS FOR 2003 FROM:	
U.S.	51,459	U.S.	443,170
OTHER		OTHER	
ARGENTINA	3,364	CHILE	3,206,419
TOTAL OF OTHER	3,364	TOTAL OF OTHER	3,206,419
OTHERS NOT LISTED	2,521	OTHERS NOT LISTED	308,372
GRAND TOTAL	57,344	GRAND TOTAL	3,957,961

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

[c] Expressed values for HS 4407.1 consolidates the following subheadings 4407.10.01, 4407.10.02, 4407.10.03, 4407.10.04 & 4407.10.99

TEMPERATE HARDWOOD LUMBER PS&D TABLE

PSD Table						
Country	Mexico					
Commodity	Temperate Hardwood Lumber				1000 CUBIC METERS	
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2003		01/2004		01/2005	
Production	355	403	355	404	0	415
Imports	205	231	210	235	0	240
TOTAL SUPPLY	560	634	565	639	0	655
Exports	0	0	0	0	0	0
Domestic Consumption	560	634	565	639	0	655
TOTAL DISTRIBUTION	560	634	565	639	0	655

PRODUCTION

MY 2004 temperate hardwood lumber production is forecast to increase approximately 2.7 percent to 415,000 m^3, due to the expectation of general economic growth. Production estimates for MY 2003 and 2004 (preliminary information for this year) have been increased to reflect official data from SEMARNAT. Sources indicated that Mexico is becoming increasingly dependent on foreign sources of hardwood lumber, due to the inefficiencies and lack of competitiveness of the domestic industry. Some final buyers continue to be unfamiliar about how to work and maximize efficiency of hardwoods.

CONSUMPTION

As result of the increased awareness by the furniture industry of the potential uses and durable features of hardwood, MY 2005 consumption is forecast to increase to 655,000 m^3. This forecast assumes Mexico's economy will continue growing and that imports will be affordable because of the recent and continued strengthening of the peso. The primary market for hardwood will continue to be the furniture industry, with secondary markets in the flooring, architectural millwork, and material handling industry (primarily pallets). The MY 2003 and MY 2004 consumption estimates have been revised upward reflecting information from industry sources. These industry sources stated that the increase in U.S. exports of dimension products is partly attributable to smaller manufacturers' attempts to lower costs associated with processing lumber by purchasing cut-to-size, semi-machined dimension blanks and components, with the remainder of dimension products destined for the emerging do it yourself (DIY) market.

Average Hardwood Lumber Prices Pesos/Board Foot		
Size	Oak	Ash
1"	36	20
1.5"	45	38
2"	54	41

Source: Consejo de la Madera en la Construccion (COMACO)
Rate of Exchange: 11.60 Pesos to U.S. $1.00

TRADE

Mexican imports of temperate hardwood lumber in MY 2005 are forecast at 240,000 m^3, a 2.1-percent increase from MY 2004's revised estimate, due to increased demand from the interiors market for U.S. hardwood products and a growing housing sector. According to the Mexican Chamber of the Construction Industry, over 1 million new low-to-middle income homes will be built over the next two years. In addition, the market for residential hardwood flooring in Mexico is rapidly expanding. Import estimates of temperate hardwood lumber for MY 2003 have been revised upward based on SE data.

TRADE MATRIX

TEMPERATE HARWOOD LUMBER H.S. 4407.9[d]		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	116	U.S.	159,494
OTHER		OTHER	
JAPAN	86	CANADA	3,192
HONG KONG	98	PERU	2,301
TOTAL OF OTHER	185	TOTAL OF OTHER	5,493
OTHERS NOT LISTED	40	OTHERS NOT LISTED	4,945
GRAND TOTAL	341	GRAND TOTAL	169,932

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

TEMPERATE HARWOOD LUMBER H.S. 4407.9[d]		UNITS: CUBIC METERS	
EXPORTS FOR 2003 TO:		IMPORTS FOR 2003 FROM:	
U.S.	56	U.S.	202,375
OTHER		OTHER	
JAPAN	80	CANADA	4,093
TOTAL OF OTHER	136	TOTAL OF OTHER	4,093
OTHERS NOT LISTED	3	OTHERS NOT LISTED	24,679
GRAND TOTAL	139	GRAND TOTAL	231,147

SOURCE: World Trade Atlas. Mexico Edition. May 2004.
[d] Expressed values for HS 4407.9 consolidates the following subheadings: 4407.91.01, 4407.92.01, 4407.92.99, 4407.99.01, 4407.99.02, 4407.99.03, 4407.99.04, 4407.99.05 & 4407.99.99.

TROPICAL HARDWOOD LUMBER PS&D TABLE

Country	Mexico					
Commodity	Tropical Hardwood Lumber			1000 CUBIC METERS		
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2003		01/2004		01/2005	
Production	132	168	135	170	0	175
Imports	57	71	60	90	0	115
TOTAL SUPPLY	189	239	195	260	0	290
Exports	0	0	0	0	0	0
Domestic Consumption	189	239	195	260	0	290
TOTAL DISTRIBUTION	189	239	195	260	0	290

PRODUCTION

Production figures for MY 2003 and MY 2004 have been revised upward, according to official final data (preliminary for MY 2004). For MY 2005, Mexican tropical hardwood lumber production is forecast at 175,000 m^3, a slight increase from the previous year, but still a low production year when compared to production levels of several years ago. Tropical hardwood log production has remained at low levels due to poor technology, depletion of jungle areas, and the inaccessibility of some species located in remote areas. Mahogany is the most popular wood due to the status and tradition associated with it. These woods are used in expensive furnishings.

According to the World Resources Institute (WRI), only in Mexico are there localized forest areas capable of maintaining full tropical canopies in a relative state of wilderness preservation: the tropical forest of Calakmul, in Campeche and the south of Quintana Roo and the tropical forest of Chimalapas, Oaxaca. It should be noted that of these forests, only the southern forest of Quintana Roo is not in imminent danger of depletion, although it is being exploited for timber.

CONSUMPTION

Tropical hardwood lumber consumption for MY 2005 is forecast at 290,000 m^3, an increase of 12 percent from the revised estimate of MY 2004, due to an increasingly competitive global furniture/interior joinery market and the gradual growth of the Mexican interiors market. For MY 2003 and 2004, consumption figures have been revised upward based on most recent industry information. The Mexican market is price-driven and thus remains very sensitive to low-priced South American tropical lumber, especially given the relative scarceness and high prices of domestic hardwood lumber.

Average Tropical Hardwood Lumber Prices Pesos/Board Foot		
Size	White Cedar	Mahogany
1"	20	55
1.5"	20	55
2"	20	58

Source: Consejo de la Madera en la Construccion (COMACO)
Rate of Exchange: 11.40 Pesos to U.S. $ 1.00

TRADE

For MY 2005 imports of tropical hardwood lumber are forecast at 115,000 m^3, up approximately 27 percent from the revised estimate for MY 2004, as a result of the favorable economic outlook. MY 2003 and MY 2004 import estimates have been revised upward, mostly based on official SE data (preliminary information for MY 2004).

TRADE MATRIX

Note: Due to inconsistencies in the Government of Mexico's 2002 trade data, the MY 2002 PS&D trade estimates submitted in MX 3136 were based on information gathered from industry sources. These inconsistencies have not been corrected; consequently the official 2002 trade data reflected in these matrices differs significantly from the PS&D estimates in MX3136. For 2003, however, the Government of Mexico data appears to be accurate and is therefore being used as the basis for estimating PS&D trade volumes.

TROPICAL HARDWOOD LUMBER H.S. 4407.2[e]		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	45	U.S.	447
OTHER		OTHER	
CUBA	1	PERU	304,663
		BRAZIL	516,660
TOTAL OF OTHER	1	TOTAL OF OTHER	821,323
OTHERS NOT LISTED	0	OTHERS NOT LISTED	13,003
GRAND TOTAL	46	GRAND TOTAL	834,773

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

TROPICAL HARDWOOD LUMBER H.S. 4407.2[e]		UNITS: CUBIC METERS	
EXPORTS FOR 2003 TO:		IMPORTS FOR 2003 FROM:	
U.S.	26	U.S.	572
OTHER		OTHER	
		PERU	56,269
		SOUTH AFRICA	7,591
TOTAL OF OTHER	0	TOTAL OF OTHER	63,860
OTHERS NOT LISTED	0	OTHERS NOT LISTED	6,969
GRAND TOTAL	26	GRAND TOTAL	71,401

SOURCE: World Trade Atlas. Mexico Edition. May 2004.
[e] Expressed values for HS 4407.2 consolidates the following subheadings: 4407.24.01, 4407.24.99, 4407.25.01, 4407.26.01, 4407.29.01,4407.29.03 & 4407.29.99

SOFTWOOD PLYWOOD PS&D TABLE

Country	Mexico					
Commodity	Softwood Plywood			1000 CUBIC METERS		
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2003		01/2004		01/2005	
Production	115	122	172	146	0	155
Imports	236	234	205	230	0	242
TOTAL SUPPLY	351	356	377	376	0	397
Exports	1	3	2	5	0	7
Domestic Consumption	350	353	375	371	0	390
TOTAL DISTRIBUTION	351	356	377	376	0	397

PRODUCTION

Mexican softwood plywood production is expected to increase nearly 6 percent in MY 2005 despite the fact that the GOM has not imposed a safeguard action. According to private sources high international prices and strong domestic demand coupled with strong Chilean and Indonesian currencies -- which makes imported plywood less attractive to domestic buyers -- are driving the market. Production estimates for MY 2003 and MY 2004 have been revised upward and downward respectively, based on most recent updated industry information.

Regarding the safeguard action (see MX3136 and MX4301), SE has not yet made an announcement in the Mexican Federal Register. Although some private sources have pointed out that SE has reconsidered its decision and is leaning to not implementing a safeguard action, Mexico's National Association of Plywood (ANAFATA) continues to lobby the ministries of Finance and Economy to impose it. Industry sources have insisted, however, that this safeguard action would not be directed toward U.S. plywood imports, as the US plywood imports occupy a niche market that does not compete directly with Mexican plywood products. According to ANAFATA, in Mexico, there are only 14 plywood plants, all of which have been hit with increasing competition of imported plywood as well as furniture imports from China.

CONSUMPTION

MY 2004 consumption for softwood plywood rose approximately 5 percent over the previous year to 371,000 m^3, due to increased activity in the Mexican construction industry. Consumption is forecast to remain very strong for the foreseeable future and to reach 390,000 m^3 in MY 2005. According to private sources, high prices are not tempering demand, due to construction work throughout all of Mexico, which is so robust that it is causing shipment delays and back orders. The primary use of softwood plywood is in the construction industry. The demand for furniture and cabinets for export, however, also is expected to drive consumption in MY 2005. The consumption estimates for MY 2003 and MY 2004 have been updated reflecting most recent industry information.

TRADE

Imports of softwood plywood are expected to increase from 230,000 m^3 in MY 2004 to 242,000 m^3 in MY 2005. This increase is attributed to the dynamic performance in the construction sector. Exports are expected to increase slightly assuming that the trend of high international prices continues. Import and export estimates for MY 2003 and MY 2004 (preliminary data for this year) have been revised upward, based on official data of the SE.

TRADE MATRIX

SOFTWOOD PLYWOOD H.S. 4412.1[f]		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	1,145	U.S.	114,412
OTHER		OTHER	
		CHILE	76,991
TOTAL OF OTHER	0	TOTAL OF OTHER	76,991
OTHERS NOT LISTED	0	OTHERS NOT LISTED	12,895
GRAND TOTAL	1,145	GRAND TOTAL	204,298

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

SOFTWOOD PLYWOOD H.S. 4412.1[f]		UNITS: CUBIC METERS	
EXPORTS FOR 2003 TO:		IMPORTS FOR 2003 FROM:	
U.S.	2,482	U.S.	121,773
OTHER		OTHER	
BELIZE	10	CHILE	79,658
TOTAL OF OTHER	10	TOTAL OF OTHER	79,658
OTHERS NOT LISTED	5	OTHERS NOT LISTED	32,074
GRAND TOTAL	2,497	GRAND TOTAL	233,505

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

[f] Expressed values for HS 4412.19 consolidates the following subheadings: 4412.19.01, 4412.19.02 & 4412.19.99

HARDWOOD PLYWOOD PS&D TABLE

Country	Mexico					
Commodity	Hardwood Plywood			1000 CUBIC METERS		
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2003		01/2004		01/2005	
Production	8	9	13	11	0	12
Imports	27	35	25	32	0	34
TOTAL SUPPLY	35	44	38	43	0	46
Exports	0	0	0	0	0	0
Domestic Consumption	35	44	38	43	0	46
TOTAL DISTRIBUTION	35	44	38	43	0	46

PRODUCTION

Total hardwood plywood production is forecast to increase to 12,000 m^3 for MY 2005, due primarily to the relatively high cost of imports and demand from the furniture industry. The production estimates for MY 2002 and 2003 have been revised based on information received from ANAFATA.

CONSUMPTION

MY 2005 consumption is forecast at 46,000 m^3, an amount which is expected to exceed the MY 2005 production forecast, due to demand from the furniture industry. Consumption estimates for MY 2003 and 2004 were obtained from industry sources.

TRADE

Import estimates for MY 2003 and 2004 (preliminary data for this year) have been revised upward in accordance with SE official data. Imports have increased sharply due to the strong demand from furniture manufacturers, a trend which is expected to continue in MY 2005. Consequently, MY 2005 imports are forecast at 34,000 m^3.

TRADE MATRIX

TEMPERATE HARDWOOD PLYWOOD H.S. 4412.14[g]		UNITS: CUBIC METERS	
EXPORTS FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	0	U.S.	1,427
OTHER		OTHER	
		BRAZIL	7,395
		ECUADOR	7,342
TOTAL OF OTHER	0	TOTAL OF OTHER	14,737
OTHERS NOT LISTED	0	OTHERS NOT LISTED	8,391
GRAND TOTAL	0	GRAND TOTAL	24,555

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

TEMPERATE HARDWOOD PLYWOOD H.S. 4412.14[g]		UNITS: CUBIC METERS	
EXPORTS FOR 2003 TO:		IMPORTS FOR 2003 FROM:	
U.S.	83	U.S.	1,561
OTHER		OTHER	
		BRAZIL	12,167
		ECUADOR	6,983
TOTAL OF OTHER	0	TOTAL OF OTHER	19,150
OTHERS NOT LISTED	0	OTHERS NOT LISTED	14,626
GRAND TOTAL	83	GRAND TOTAL	35,377

SOURCE: World Trade Atlas. Mexico Edition. May 2004.

[g] Expressed values for HS 4412.14 consolidates the following subheadings: 4412.14.00 & 4412.14.99

STRATEGIC INDICATOR TABLE

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
Country: Mexico Report Year: 2004	Product Description					
4401	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.					
4401.10.01	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms.	EX	N/A	20.00	N/A	EX
4401.21.01	Coniferous.	EX	N/A	13.00	N/A	EX
4401.22.01	Nonconiferous.	EX	N/A	13.00	N/A	EX
4401.30.01	Sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.	EX	N/A	13.00	N/A	EX
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.					
4403.10.01	Treated with paint, stain, creosote or other preservatives.	EX	N/A	13.00	N/A	EX
4403.20.99	Other, coniferous.	EX	N/A	13.00	N/A	EX
4403.41.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	N/A	13.00	N/A	EX
4403.49.01	Other.	EX	N/A	13.00	N/A	EX
4403.49.99	Other.	EX	N/A	13.00	N/A	EX
4403.91.01	Of oak (Quercus spp.).	EX	N/A	13.00	N/A	EX
4403.92.01	Of beech (Fagus spp.).	EX	N/A	13.00	N/A	EX
4403.99.99	Other.	EX	N/A	13.00	N/A	EX
4404	Hopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking-sticks, umbrellas, tool handlers or the like; chips					
4404.10.01	Coniferous.	EX	N/A	18.00	N/A	EX
4404.10.99	Coniferous.	EX	N/A	18.00	N/A	EX
4404.20.01	Nonconiferous.	EX	N/A	23.00	N/A	EX
4404.20.02	Nonconiferous.	EX	N/A	18.00	N/A	EX
4404.20.03	Nonconiferous.	EX	N/A	18.00	N/A	EX
4404.20.04	Nonconiferous.	EX	N/A	18.00	N/A	EX
4404.20.99	Nonconiferous.	EX	N/A	18.00	N/A	EX
4405	Wood wool (excelsior); wood flour.					
4405.00.01	Wood wool (excelsior); wood flour.	EX	N/A	18.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent) Country: Mexico Report Year: 2004	Product Description	Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
4405.00.02	Wood wool (excelsior); wood flour.	EX	N/A	18.00	N/A	EX
4406	Railway or tramway sleepers (cross-ties) of wood.					
4406.10.01	Not impregnated.	EX	N/A	18.00	N/A	EX
4406.90.99	Other.	EX	N/A	18.00	N/A	EX
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding					
4407.10.01	Coniferous.	EX	N/A	13.00	N/A	EX
4407.10.02	Coniferous.	EX	N/A	18.00	N/A	EX
4407.10.03	Coniferous.	EX	N/A	13.00	N/A	EX
4407.10.99	Coniferous .	EX	N/A	18.00	N/A	EX
4407.24.01	Virola, Mahogany (Swietenia spp.), Imbuia and Balsa.	EX	N/A	18.00	N/A	EX
4407.24.99	Virola, Mahogany (Swietenia spp.), Imbuia and Balsa.	EX	N/A	18.00	N/A	EX
4407.25.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	N/A	18.00	N/A	EX
4407.26.01	White Lauan, White Meranti, White Seraya, Yellow Meranti and Alan.	EX	N/A	18.00	N/A	EX
4407.29.01	Other	EX	N/A	18.00	N/A	EX
4407.29.99	Other	EX	N/A	18.00	N/A	EX
4407.91.01	Of oak (Quercus spp.).	EX	N/A	18.00	N/A	EX
4407.92.01	Of beech (Fagus spp.).	EX	N/A	13.00	N/A	EX
4407.92.99	Of beech (Fagus spp.).	EX	N/A	18.00	N/A	EX
4407.99.01	Other.	EX	N/A	18.00	N/A	EX
4407.99.02	Other.	EX	N/A	13.00	N/A	EX
4407.99.03	Other.	EX	N/A	13.00	N/A	EX
4407.99.04	Other.	EX	N/A	13.00	N/A	EX
4407.99.05	Other.	EX	N/A	18.00	N/A	EX
4407.99.99	Other.	EX	N/A	18.00	N/A	EX
4408	Veneer sheets and sheets for plywood (whether or not spliced) and other wood sawn lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness not exceeding 6 mm.					
4408.10.01	Coniferous.	EX	N/A	18.00	N/A	EX
4408.31.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	N/A	18.00	N/A	EX
4408.39.99	Other.	EX	N/A	18.00	N/A	EX
4408.90.99	Other.	EX	N/A	18.00	N/A	EX
4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated,					

FOREST PRODUCT TARIFFS AND TAXES (percent) Country: Mexico Report Year: 2004	Product Description	Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
	chamfered, V-jointed, beaded, molded, rounded or the like) along any of its edges or faces, whether or not planed, sanded or finger-joi					
4409.10.01	Coniferous.	EX	N/A	23.00	N/A	EX
4409.10.02	Coniferous	EX	N/A	13.00	N/A	EX
4409.10.99	Coniferous.	EX	N/A	23.00	N/A	EX
4409.20.01	Nonconiferous.	EX	N/A	23.00	N/A	EX
4409.20.99	Nonconiferous.	EX	N/A	23.00	N/A	EX
4410	Particleboard and similar board of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances.					
4410.11.01	Waferboard, including oriented strand board.	EX	N/A	N/A	N/A	EX
4410.19.99	Other	EX	N/A	N/A	N/A	EX
4410.90.01	Of other ligneous materials.	EX	N/A	18.00	N/A	EX
4410.90.02	Of other ligneous materials.	EX	N/A	N/A	N/A	EX
4410.90.99	Of other ligneous materials.	EX	N/A	23.00	N/A	EX
4411	Fiberboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances.					
4411.11.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.19.99	Other.	EX	N/A	18.00	N/A	EX
4411.21.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.29.99	Other.	EX	N/A	18.00	N/A	EX
4411.31.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.39.99	Other.	EX	N/A	18.00	N/A	EX
4411.91.01	Not mechanically worked or surface covered.	EX	N/A	18.00	N/A	EX
4411.99.99	Other	EX	N/A	18.00	N/A	EX
4412	Plywood, veneered panels and similar laminated wood.					
4412.13.01	With at least one outer ply of tropical wood specified in subheading note 1 to this chapter.	EX	N/A	23.00	N/A	EX
4412.13.99	With at least one outer ply of tropical wood specified in subheading note 1 to this chapter.	EX	N/A	18.00	N/A	EX
4412.14.99	Other, with at least one outer ply of nonconiferous wood.	EX	N/A	18.00	N/A	EX
4412.19.01	Other, with both outer plies of coniferous wood.	N/A	N/A	18.00	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
Country: Mexico Report Year: 2004	Product Description					
4412.19.02	Other, with both outer plies of coniferous wood.	EX	N/A	N/A	N/A	EX
4412.19.99	Other, with both outer plies of coniferous wood.	EX	N/A	23.00	N/A	EX
4412.22.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.	EX	N/A	23.00	N/A	EX
4412.23.99	Other, containing at least one layer of particle board	EX	N/A	18.00	N/A	EX
4412.29.99	Other.	EX	N/A	23.00	N/A	EX
4412.92.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.	EX	N/A	23.00	N/A	EX
4412.93.99	Other, containing at least one layer of particleboard.	EX	N/A	18.00	N/A	EX
4412.99.99	Other.	EX	N/A	23.00	N/A	EX
4413	Densified wood, in blocks, plates, strips or profile shapes.					
4412.00.01	Densified wood, in blocks, plates, strips or profile shapes.	EX	N/A	13.00	N/A	EX
4413.00.02	Densified wood, in blocks, plates, strips or profile shapes.	EX	N/A	18.00	N/A	EX
4413.00.99	Densified wood, in blocks, plates, strips or profile shapes.	EX	N/A	23.00	N/A	EX
4414	Wooden frames for paintings, photographs, mirrors or similar objects.					
4414.00.01	Wooden frames for paintings, photographs, mirrors or similar objects.	EX	N/A	30.00	N/A	EX
4415	Packing cases, boxes, crates, drums and similar packing, of wood; cable-drums, of wood; pallets, box-pallets and other load boards, of wood; pallet collars of wood.					
4415.10.01	Cases, boxes, crates, drums and similar packing; cable-drums.	EX	N/A	23.00	N/A	EX
4415.20.01	Pallets, box-pallets and other load boards; pallet collars	EX	N/A	23.00	N/A	EX
4415.20.99	Pallets, box-pallets and other load boards; pallet collars.	EX	N/A	23.00	N/A	EX
4416	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves.					
4416.00.01	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves.	EX	N/A	Ex.	N/A	EX

FOREST PRODUCT TARIFFS AND TAXES (percent) Country: Mexico Report Year: 2004	Product Description	Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
4416.00.02	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4416.00.03	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4416.00.04	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4416.00.99	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	N/A	23.00	N/A	EX
4417	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.					
4417.00.01	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.	EX	N/A	18.00	N/A	EX
4417.00.99	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.	EX	N/A	23.00	N/A	EX
4418	Builders' joinery and carpentry of wood, including cellular wood panels and assembled parquet panels; shingles and shakes.					
4418.10.01	Windows, French-windows and their frames.	EX	N/A	23.00	N/A	EX
4418.20.01	Doors and their frames and thresholds.	EX	N/A	23.00	N/A	EX
4418.30.01	Parquet panels.	EX	N/A	23.00	N/A	EX
4418.40.01	Formwork (shuttering) for concrete constructional work.	EX	N/A	23.00	N/A	EX
4418.50.01	Shingles and shakes.	EX	N/A	23.00	N/A	EX
4418.90.01	Other	EX	N/A	23.00	N/A	EX
4418.90.99	Other.	EX	N/A	23.00	N/A	EX
4419	Tableware and kitchenware, of wood.					
4419.00.01	Tableware and kitchenware, of wood.	EX	N/A	30.00	N/A	EX
4420	Wood marquetry and inlaid wood; caskets and cases for jewelry or cutlery and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling					

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees 1/	Total Cost of Import	Export Tax
Country: Mexico Report Year: 2004	Product Description					
	within chapter 94					
4420.10.01	Statuettes and other ornaments, of wood.	EX	N/A	30.00	N/A	EX
4420.90.99	Other.	EX	N/A	30.00	N/A	EX
4421	Other articles of wood.					
4421.10.01	Clothes hangers.	EX	N/A	23.00	N/A	EX
4421.90.01	Other.	EX	N/A	18.00	N/A	EX
4421.90.02	Other.	EX	N/A	18.00	N/A	EX
4421.90.03	Other.	EX	N/A	23.00	N/A	EX
4421.90.04	Other.	EX	N/A	18.00	N/A	EX
4421.90.99	Other.	EX	N/A	23.00	N/A	EX
4422		N/A	N/A	N/A	N/A	N/A
4423		N/A	N/A	N/A	N/A	N/A
4424		N/A	N/A	N/A	N/A	N/A
4425		N/A	N/A	N/A	N/A	N/A
	Pre-fabricated Houses, a subsection under chapter 96	N/A	N/A	N/A	N/A	N/A

1/ Tariff rates applicable during 2004 for commodities from countries which Mexico has not signed any Free Trade Agreement, under the MOST FAVORED NATION (MFN) duty as published in the Mexican Diario Oficial (Federal Register) on January 18, 2002.